

Ombudsman's Determination

Applicant	Mr S
Scheme	HSBC Bank (UK) Pension Scheme (the Scheme)
Respondents	HSBC Bank Pension Trust (UK) Limited (the Trustee) , Willis Towers Watson (the Administrator)

1. I do not uphold Mr S' complaint and no further action is required by the Trustee or Administrator.
2. My reasons for reaching this decision are explained in more detail below.

Complaint summary

3. Mr S has complained about the information he received from the Administrator regarding his benefits. He says that he relied on this information to plan for his retirement and now, to his detriment, has had to adjust his financial plans.

Background information, including submissions from the parties

4. Mr S is a deferred hybrid member of the Scheme. He has both Defined Benefit (**DB**) and Defined Contribution (**DC**) pension funds.
5. Mr S retired from HSBC on 23 October 2016, at age 60.
6. Prior to his 60th birthday, Mr S was in contact with the Administrator regarding the possibility of drawing his benefits at age 60.
7. On 17 April 2016, the Administrator issued Mr S with a statement which showed his retirement options as at 1 November 2016 as:

“Option one: A full pension from your DB pension of £43,630.56 per annum plus using your DC pension of £19,537.34 to provide an income...

Option two: A full pension from your DB pension of £43,630.56 per annum plus your DC pension as a tax-free cash of £19,537.34...

Option three: A reduced pension from your DB pension of £33,646.80 per annum plus a maximum tax-free cash sum from your DB and DC pension of £224,309.64.”

8. On 27 April 2016, Mr S contacted the Administrator and requested the following:

“In respect of my DB pension I would like to take £100,000 as a tax-free cash sum and reduced pension. Please can you confirm what the reduced pension would be ...

“In respect of my DC pension I would like to take this all as a tax-free cash sum”.

9. On 28 June 2016, the Administrator sent Mr S an email which explained the following:

“Should you wish to retire from the Scheme on 1 November 2016, with a requested lump sum of £100,000 from your DB pension and taking your full DC pension fund as cash which at today’s date amounts to £25,124.25, then your annual pension would be £39,980.28.” (**the June quotation**)

10. Mr S was informed that the figures were not guaranteed, and his exact benefits would not be known until closer to his retirement date.

11. Mr S says that he completed and returned all the required forms to the Administrator and started planning for his retirement based on the June quotation.

12. In October 2016, Mr S was informed that his DC pension had increased from £25,124.25 to £38,491.58. However, he was also informed that his annual pension had reduced to £39,120.36. Mr S was unhappy that his annual pension had decreased by £860 when compared with the June quotation. He contacted the Administrator to express his dissatisfaction and requested information on his retirement options.

13. On 2 November 2016, the Administrator emailed Mr S with his retirement options that it had discussed with him over the phone:

“Option one – reduced pension of £40,856.40 a year, tax free lump sum of £100,000.00 (including £38,491.58 from your DC pension) ...

Option two – reduced pension of £39,120.36 a year tax free lump sum of £138,491.58 (including £38,491.58 from your DC pension).”

14. Mr S replied to the Administrator and explained that the June quotation showed he would receive an annual pension of £39,980.28 not £39,120.36. Mr S requested that the Administrator honour the figures quoted in the June quotation.

15. On 3 November 2016, the Administrator apologised for any confusion caused by the June quotation. It explained that the figures provided in the June quotation were confirming the following:

“A reduced pension of £39,980.28 a year, tax free lump sum of £100,000.00 (which includes £25,124.25 from your DC pension).”

16. The Administrator explained that it is only permitted to pay the correct amount of benefits, calculated in line with the Trust Deed and Rules. Therefore, it was unable to honour the figures shown in the June quotation.
17. Mr S remained unhappy and raised a formal complaint with the Administrator.
18. On 30 December 2016, the Administrator emailed Mr S, not upholding his complaint. It accepted that the June quotation may have caused some confusion. However, the figures provided were correct; it was just unfortunate that the wording led to confusion.
19. Mr S remained dissatisfied and explained to the Administrator that he spoke with the Pensions Advisory Service and believed a payment for the distress and inconvenience was due. He asked that the Administrator reconsider its position before he took his complaint further.
20. On 19 April 2017, the Administrator conducted a further review of Mr S' complaint. It said that whilst his pension benefits were calculated in line with Trust Deed and Rules, it was possible that the June quotation may have caused confusion. In recognition of this the Administrator awarded Mr S £125 as a gesture of goodwill in relation to the distress and inconvenience caused.
21. Mr S did not accept the Administrator's offer and took his complaint forward to be investigated under the Scheme's Internal Dispute Resolution Procedure (**IDRP**).
22. On 20 June 2018, the Trustee provided its stage one decision. It explained that the June quotation provided an annual pension payable if Mr S used a combination of both his DB, and DC pension benefits, to take a total tax-free cash sum of £100,000. Mr S may have misinterpreted that the June quotation was providing an annual pension income of £39,980.28, in addition to taking a tax-free cash sum of £100,000 solely from his DB pension plus the total of his DC pension fund.
23. The Trustee understood that Mr S would have been disappointed to learn that his annual pension reduced by £860 per annum. However, the June quotation was not guaranteed and while the information and figures provided could have been clearer, it was correct.
24. The Trustee explained that Mr S did not demonstrate or provide any evidence to show that he had suffered any loss. In particular, he did not explain what he would have done differently had he understood the annual pension would be £39,120.36 and not £39,980.28. For these reasons it did not uphold his complaint or offer a further monetary award.
25. Mr S remained unhappy and submitted a request for a stage two decision.

26. On 19 December 2018, the Trustee provided its stage two decision. It explained that whilst the June quotation could have been clearer in its explanation of how Mr S' DB and DC pension benefits would be treated, the information provided accurately summarised his benefits. The Trustee said that it did not consider there was an error made by the Administrator. However, the Trustee concluded that if the information provided to Mr S was clearer the situation would not have arisen. It therefore decided to award a total of £500 for the distress and inconvenience caused.
27. Mr S did not agree with the Trustee and brought his complaint to us to investigate.

Adjudicator's Opinion

28. Mr S' complaint was considered by one of our Adjudicators who concluded that no further action was required by the Trustee or Administrator. The Adjudicator's findings are summarised below:-

- The Trustee has accepted that the June quotation could have been clearer in its explanation of how the tax-free cash sum of £100,000 was funded. The Adjudicator concluded that it was reasonable for Mr S to have thought he would receive an annual pension of £39,980.28 with a £100,000 lump sum solely from his DB pension plus his full DC pension fund, because this is what he requested, and the wording is not clear.
- The June quotation instead showed an annual pension of £39,980.28, which was payable if Mr S used a combination of both his DB and DC pension funds to take a total tax-free cash sum of £100,000. The Adjudicator was of the opinion that when Mr S discovered his annual pension would be £860 less per annum, he would have been disappointed.
- However, the Adjudicator said that it was important to note that Mr S was informed in the June quotation, that the figures were not guaranteed and his exact benefits would not be known until closer to his retirement date.
- Mr S is unhappy as he has had to adjust his financial plans as a result of the reduced annual income. He has argued that the Trustee should increase his annual pension by £860 per annum, to the amount quoted in the June quotation. The Adjudicator was of the view that Mr S should only receive the benefits that he is entitled to, correctly calculated in line with the Trust Deed and Rules. He saw no evidence to suggest that Mr S had spent excessively or made any financial commitments based on the June quotation.
- The Adjudicator accepted that Mr S was provided with misleading information regarding the June quotation, however concluded that he has not suffered an actual financial loss. In any event, the issue was clarified prior to when Mr S' benefits were put into payment. The Adjudicator agreed that Mr S had suffered some distress and inconvenience, but considered that £500 the Trustee had

offered was reasonable and in line with our guidelines for non-financial injustice for significant distress and inconvenience caused.

29. Mr S did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr S provided further comments which do not change the outcome. I agree with the Adjudicator's Opinion and I will therefore only respond to the key points made by Mr S for completeness.

Ombudsman's decision

30. Mr S made three further points. First, he said that had the correct figures been provided to him from the outset, he would have taken a larger pension and lower cash sum. This was because he was aiming to keep his income below the higher rate income tax threshold. However, the issue regarding the June quotation was clarified before Mr S' benefits were put into payment. Therefore, he had the opportunity to change his retirement options to his preferred choice.
31. Second, Mr S has said that he was unsure if the Adjudicator accepted that the Trustee made a mistake in the June quotation, or whether he accepted the Trustee's view, that the June quotation was simply unclear. The Adjudicator said that because of Mr S' request on 26 April 2016 and the way the June quotation was worded that this may have led to confusion. I agree that the Administrator should have been clearer, particularly as the June quotation was in response to Mr S' request, where he asked to take £100,000 as a tax-free cash sum and reduced pension, solely from his DB pension. Whilst the Trustee has said the figures provided in the June quotation were themselves correct, it was not what Mr S requested. For this reason, I find that the June quotation was incorrect and consequently misled him to believe that he would receive a higher annual pension than he was entitled too.
32. Having said that, the error was identified before Mr S' benefits were put into payment. He therefore could have requested a larger or smaller lump sum or pension to be calculated. Mr S should only receive the benefits that he is entitled to calculated in accordance with the Trust Deed and Rules. He has accepted he is unable to evidence a significant financial loss or substantial change to his retirement plans based on the lower annual income. I have seen no reason to justify why the Trustee should increase his annual pension by £860 to that quoted in the June quotation.
33. Third, Mr S has argued that the Trustee should accept that a mistake was made. He believes a more appropriate amount of compensation should be awarded for the distress and inconvenience caused. The Trustee, in its letter of 19 December 2018, accepted that the June quotation could have been clearer and increased its award to £500 for the overall distress and inconvenience which Mr S has suffered. I agree with the Adjudicator that the Trustee has acted appropriately. Mr S has suffered some distress and inconvenience but the Trustee has adequately redressed this.

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34. I therefore do not uphold Mr S' complaint and Mr S should contact the Trustee if he wishes to accept its offer.

Anthony Arter

Pensions Ombudsman
9 July 2019